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ATTORNEYS FOR PLAINTIFF DIVERSI-PLAST PRODUCTS, INC.

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

Diversi-Plast Products, Inc.,
a Minnesota corporation,

Plaintiff,

VS.

Battens Plus, Inc.,
a California corporation,

Defendant.

Civil Action No: 2:04-CV-01005 PGC

Judge: Paul G. Cassell

PLAINTIFF'S MEMORANDUM OF LAW
IN OPPOSITION TO DEFENDANT'S
MOTION FOR LEAVE TO AMEND
ANSWER

INTRODUCTION

Plaintiff, Diversi-Plast Products, Inc. ("Diversi-Plast") provides this Memorandum of Law in opposition to Defendant Battens Plus, Inc.'s ("Battens Plus") Motion for Leave to Amend Answer ("Motion to Amend"). On March 19, 2004, Diversi-Plast filed a reissue application for U.S. Patent No. 6,357,193 ("the '193 Patent") where a corrective amendment was made to claim 2. On October 29, 2004, Diversi-Plast filed the present patent infringement suit against Battens Plus based on its infringing BattenUp tile batten system. Now, more than sixteen months after the initiation of the suit, more than nine months after the deadline to add parties and amend the pleadings, and after the completion of all fact and expert discovery, Battens Plus requests leave to amend the pleadings to add an "abuse of process" counterclaim and an "intervening rights" affirmative defense.

Battens Plus' motion should be denied because (1) the addition of new claims and defenses at this late date would be prejudicial to Diversi-Plast; (2) Battens Plus' delay in bringing this request is unexplainable as the alleged justifications for amending its Answer appear to be based primarily on the existence of a reissue application that was filed more than two years ago; and (3) Battens Plus' proposed amendment to the pleadings would be futile as the new claim and defense are without merit.

ARGUMENT

I. Battens Plus' Motion For Leave To Amend Should Be Denied Due To The Delay In Bringing The Request And Because Both The Newly Proposed Claim And Affirmative Defense Are Without Merit.

The decision whether to grant leave to amend under Federal Rule of Civil Procedure ("FRCP") 15(a) is entirely within the trial court's discretion. Viernow v. Euripides Dev. Corp., 157 F.3d 785, 799 (10th Cir. 1998). However, the Tenth Circuit has "often found untimeliness

alone a sufficient reason to deny leave to amend . . . especially when the party filing the motion has no adequate explanation for the delay.” Pallottino v. City of Rio Rancho, 31 F.3d 1023, 1027 (10th Cir. 1994). Additionally, leave to amend may be denied based on “bad faith or dilatory motive, failure to cure deficiencies by amendments previously allowed, or undue prejudice to the opposing party, or futility of amendment.” Castleglen, Inc. v. Resolution Trust Corp., 984 F.2d 1571, 1584 (10th Cir. 1993). In this case, Battens Plus’ request to amend the pleadings to add a new counterclaim and a new affirmative defense is unexplainably late in the proceedings, and allowing Battens Plus to amend would be futile given the baseless nature of the proposed amendments.

A. Battens Plus’ Motion To Amend Is Untimely And Amendment At This Stage Of The Litigation Would Prejudice Diversi-Plast.

In its moving brief, Battens Plus focuses on the reissue application for the ‘193 Patent as the justification for amending its Answer to add an “abuse of process” counterclaim and an affirmative defense of “intervening rights.” Specifically, Battens Plus argues that filing of the present patent infringement suit by Diversi-Plast after a reissue application had been filed for the ‘193 Patent warrants its proposed amendments to the pleadings. Setting aside, for now, the merits of Battens Plus’ interpretation of the reissue request and the corresponding amendments made by Diversi-Plast in the reissue proceeding, Battens Plus fails to explain why it has waited until this late date in the case to raise these new allegations.

This litigation was initiated on October 29, 2004; more than seven months after the subject reissue application had been filed. The reissue proceeding has now been pending for two years and Battens Plus has known about the reissue application since the very beginning of this case. In addition, the Court’s March 17, 2005 Scheduling Order specifically required the parties

to seek leave to amend the pleadings or add parties by June 10, 2005, more nine months ago. Court Docket No. 20. Moreover, both fact discovery and expert discovery have now been completed and the deadline for filing dispositive motions is March 31, 2006. Id. At no time during the seventeen-month pendency of this case did Battens Plus ever mention these new claims or defenses, let alone express a desire to add them to its Answer. The delay in raising these new issues at this stage is particularly difficult to understand given the fact that Battens Plus already amended its Answer on one previous occasion to further plead its Third Affirmative Defense of "Inequitable Conduct." Court Docket No. 22.

At this stage of the litigation, Diversi-Plast would be unduly prejudiced by Battens Plus' proposed amendments to its Answer. With discovery complete and the March 31, 2006 deadline for filing dispositive motions having passed by the time Battens Plus' motion will be resolved, Diversi-Plast will have no means of conducting discovery on these new issues or moving the Court through summary judgment to challenge the merits of these claims and defenses. Battens Plus' unexplainable delay in raising this new claim and affirmative defense alone warrants denying its Motion to Amend.

B. Battens Plus' Motion To Amend Is Futile Because The Newly Proposed Counterclaim And Affirmative Defense Are Without Merit.

A court "may refuse to allow leave to amend pleadings when the proposed changes would be futile." Reagan v. Bankers Trust Co., 863 F. Supp. 1511, 1518 (D. Utah 1994). For example, denial of a motion for leave to amend is futile when proposed amendment "would not survive a motion for summary judgment." Bauchman v. West High School, 132 F.3d 542, 562 (10th Cir. 1997).

Futility of Battens Plus' Proposed Abuse of Process Counterclaim

"Under Utah law, abuse of process claims require that legal proceedings be instituted without probable cause, for the purpose of harassment or annoyance; and it is usually said to require malice. Roska ex rel. Roska v. Peterson, 328 F.3d 1230, 1245 (10th Cir. 2003) (citations omitted). An abuse of process claim is defined as "using judicial resources to accomplish some improper purpose, such as compelling its victim to do something which he would not otherwise be legally obliged to do." Id. (citations omitted). None of these required elements of an abuse of process claim can be shown by Battens Plus in this case.

First, it appears from Battens Plus' Motion to Amend that it is arguing that a new "abuse of process" claim against Diversi-Plast is warranted because the '193 Patent was put into reissue by Diversi-Plast to amend claim 2 prior to filing of the present patent infringement suit.¹ In advancing this theory, Battens Plus spends a great deal of its argument attempting to negatively characterize the amendments to claim 2 and the statements provided by Diversi-Plast to explain the initiation of the reissue proceeding. However, an informed review of the amendments to claim 2 and the corresponding statements that accompanied those amendments demonstrates that there was no belief by Diversi-Plast that claim 2 was in any way or at any time invalid or unenforceable. See Macari Decl., Exs. 2-3.

When correcting language or terminology in a patent claim through the reissue process, a patent owner must expressly state that it believes "the original patent to be wholly or partly inoperative or invalid by reason of a defective specification or drawing" 35 U.S.C. § 251;

¹ Claim 2 of the '193 Patent is the only patent claim asserted against Battens Plus by Diversi-Plast in this case. A copy of the '193 Patent is provided with the Declaration of Matthew T. Macari ("Macari Decl."), Ex. 1.

37 C.F.R. § 1.175.² Diversi-Plast's statement for claim 2 that the '193 Patent was believed "to be wholly or partly inoperative by reason of a defective specification" is what is required of a patent owner if they are correcting or clarifying claim language through the reissue process. Contrary to Battens Plus' argument, this statement does not render the amended reissue claim invalid or unenforceable. If Battens Plus' argument is extended out to its logical conclusion, this statutorily-required statement alone would render every amended reissue claim invalid and prohibit assertion of that claim in litigation while the claim is still pending in a reissue proceeding. However, that is not the case. In fact, as acknowledged by Battens Plus in its moving brief, the law expressly permits the assertion of a patent claim in litigation while the claim is concurrently the subject of a reissue proceeding. See 35 U.S.C. § 252; Motion to Amend, p. 5.³

Not only is a party permitted to assert a pending reissue patent claim in litigation after declaring to the Patent Office that the original patent was "wholly or partly inoperative or invalid," but it is well established that the claim can be amended during the reissue proceeding and still remain "substantially identical" to the original patent claim. See 35 U.S.C. § 252. Specifically, the phrase "substantially identical" as used in Section 252 of the patent statutes "means, at most, without substantive change." Westvaco Corp. v. Int'l Paper Co., 991 F.2d 735,

² The only other way to enter a reissue proceeding is to declare the original patent to be "deemed wholly or partly inoperative or invalid . . . by reason of the patentee claiming more or less than the patentee had the right to claim in the patent." 35 U.S.C. § 1.175; 35 U.S.C. § 251. Such a declaration was not specifically made with respect to claim 2 in the subject reissue application as the amendment was made to correct language and provide consistency in the claim, not to broaden the claim. See Macari Decl., Ex. 2.

³ "[I]n so far as the claims of the original and reissued patents are *substantially identical*, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are *substantially identical* with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent." 35 U.S.C. § 252 (emphasis added).

741 (Fed. Cir. 1993). An amendment to a claim in reissue “that clarifies the text of the claim or makes it more definite without affecting its scope is generally viewed as identical for the purpose of § 252.” Bloom Engineering Co., Inc. v. North Am. Mfg. Co., Inc., 129 F.3d 1247, 1250 (Fed. Cir. 1997); see Slimfold Mfg. Co. v. Kinkead Ind., Inc., 810 F.2d 1113, 1115-17 (Fed. Cir. 1987) (discussing facts and citing precedent where amendments to provide clarifications or antecedent basis in a reissue claim did not change the substantive scope of the reissue claim).

While other claims in the ‘193 Patent have been substantially amended or even cancelled, claim 2 in its current form in the reissue proceeding remains substantially identical to what it was in the original ‘193 Patent. The following redlining shows the current state of claim 2 in the reissue proceeding in comparison to original claim 2 of the ‘193 Patent:⁴

2. A tile roof system, comprising:
an overlayment;
a tile; and
a batten disposable between the tile and the overlayment, the batten comprising:
at least one layer comprising a generally planar first ~~ply~~ plies and a second ply, the first and second plies cooperating to define a multiplicity of passages extending generally transversely to a longitudinal axis of the batten, and in which the second ply includes a multiplicity of cross plies extending between the first plies.

The term “first ply” in line 6 of claim 2 above was simply replaced by “first plies” to make that portion of the claim consistent with the plural “plies” language already used in other portions of the claim (*e.g.*, line 7 of claim 2 above recites “first and second *plies*” and line 10

⁴ Claim 2 was originally in dependent form, which means that it incorporated the limitations from independent claim 1. 35 U.S.C. § 112, ¶ 4 (“A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.”). During the reissue proceeding, claim 2 was rewritten in independent form to expressly recite the limitations from claim 1. This explicit recitation of what was already in the claim, in combination with the redlined amendment provided above, are all that distinguish claim 2 in the reissue application from claim 2 as it originally issued with the ‘193 Patent on March 19, 2002. Macari Decl., Ex. 3.

recites “first *plies*”). These changes were advanced to make the claim more definite by providing clarification and consistency with other language already used in claim 2, and did not alter the scope of the claim. Diversi-Plast has not at any time during the reissue proceeding or this litigation represented or considered claim 2 to be invalid or unenforceable. Accordingly, Battens Plus’ request to add an “abuse of process” counterclaim based on the events of the reissue proceeding should be denied as such an amendment would be futile. Battens Plus cannot demonstrate that Diversi-Plast used this litigation to harass Battens Plus, that Diversi-Plast has acted with malice in bringing this suit, or that Diversi-Plast filed this suit with the belief that the ‘193 Patent was anything other than valid and enforceable, as would be needed to support an “abuse of process” claim.⁵

Futility of Battens Plus’ Proposed Intervening Rights Affirmative Defense

Similarly, Battens Plus’ request to add the affirmative defense of “intervening rights” would be futile. Intervening rights does not automatically arise merely because a patent-in-suit is the subject of a reissue proceeding. See Kaufman Co., Inc. v. Lantech, Inc., 807 F.2d 970, 977-78 (Fed. Cir. 1986); 35 U.S.C. § 252 (a defendant may “continue the use of, to offer to sell, or to sell to others to be used, offered for sale, or sold, the specific thing so made, purchased, offered for sale, used, or imported *unless* the making, using, offering for sale, or selling of *such thing infringes a valid claim of the reissued patent which was in the original patent*”).

⁵ It should be noted that Battens Plus’ brief reference to Diversi-Plast’s third-party discovery of Intelplast Corporation as justification for an abuse of process claim is equally without merit. Intelplast Corporation is the manufacturer of the infringing BattenUp tile batten product. As such, documents and information from Intelplast Corporation are relevant to both the infringement and damages phases of this case. Manufacturing product specifications and information are relevant to the examination of the structural elements of the infringing products. With regard to the issue of damages, manufacturing costs are relevant to a “reasonable royalty” calculation under 35 U.S.C. § 284 to get a complete picture of the costs and profits from manufacturing through the final sale of the infringing products.

Furthermore, the defense of intervening rights is not available if amendments made during the reissue proceeding did not alter the scope of the original claim. Kaufman, 807 F.2d at 978; Insta-Foam Products, Inc. v. Universal Foam Systems, Inc., 829 F.2d 43 (Fed. Cir. 1987).

As explained above, the scope of claim 2 of the reissue application remains substantially identical in scope to claim 2 of the original '193 Patent. As a result, intervening rights will not be available to Battens Plus in this case and its Motion to Amend the pleadings to add such an affirmative defense should be denied as the amendment would be futile.

CONCLUSION

Battens Plus' Motion to Amend should be denied because (1) it is untimely and amendments of this nature at this late stage of the litigation would unduly prejudice Battens Plus; and (2) allowing Battens Plus to add an "abuse of process" counterclaim and an "intervening rights" affirmative defense would be futile as both allegations are without merit.

Respectfully Submitted,

Date: March 31, 2006

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